

BILL # SB 1022

SPONSOR: Jarrett

REQUESTED BY: Senate

TITLE: ~~income tax exemption; stillborn children~~
NOW: stillbirths; income tax exemption

STATUS: As Amended by FIN

PREPARED BY: Hans Olofsson

	FISCAL YEAR		
	2003	2004	2005
REVENUES			
General Fund - Individual Income Tax	\$-0-	\$(64,000)	\$(67,000)

FISCAL ANALYSIS

Description

Beginning in tax year 2003, this bill would create an individual income tax exemption in the amount of \$2,300 for a taxpayer that receives a certificate of birth for a stillbirth provided that the child would otherwise have been a member of the taxpayer's household. The taxpayer can claim the exemption only for the tax year in which the stillbirth occurred.

Estimated Impact

This bill will reduce individual income tax revenues by an estimated \$(64,000) in FY 2004 and \$(67,000) in FY 2005.

Analysis

According to the Department of Health Services, 703 stillbirths were reported in Arizona in Calendar Year (CY) 2001. Based on historical data, we project that the number of stillbirths will grow to 780 in CY 2003 and 820 in CY 2004. Assuming that all households with stillborn children will claim the \$2,300 exemption, we estimate that the Arizona taxable income will decrease by \$(1,794,000) in 2003 and \$(1,886,000) in 2004.

Applying an average effective tax rate of 3.55% (derived from the Department of Revenue's 2001 Abstract) to the amount of taxable income lost, we estimate that the state's individual income tax liability will decrease by \$(64,000) in tax year 2003 and \$(67,000) in tax year 2004. However, from a budgetary perspective, the fiscal impact will not occur until FY 2004 and FY 2005, respectively. Although tax liability is accrued on a calendar year basis, final tax payments and refunds are not issued until the following calendar year.

Local Government Impact

Incorporated cities and towns receive a percentage of individual and corporate income taxes as urban revenue sharing. Under current law, the urban revenue sharing percentage will be 14.8% in FY 2004 and 15.0% in FY 2005 and thereafter. This means that local governments would lose \$(9,600) in FY 2005 and \$(10,000) in FY 2006 under this bill.

2/18/03